

ITC's contribution to export competitiveness: emerging insights from the Bangladeshi information technology sector

This document gives an overview of the emerging findings from the impact evaluation of ITC's Sector Competitiveness Programme in Bangladesh – conducted by Wageningen University & Research.

ITC support to the IT/ITES sectors

The main purpose of the ITC programme in Bangladesh is to improve the export competitiveness of the Information Technology (IT) and IT-enabled services (ITES) industry in Bangladesh to increase export revenues and thereof income of the sector and ultimately contribute to job creation in these sectors. To achieve this aim, the project has followed three main strategies: improving the capacity of beneficiary local trade support institutions (TSIs) which provides sector-development services to SMEs, increasing the export capacity of SMEs, and creating new business linkages in selected target export markets.



PRIME impact evaluation

The main objective of PRIME-ITC is to evaluate the impact on the export competitiveness of the firms that are directly supported by Netherlands Trust Fund (NTF-III) programme, and the firms which are supported through BASIS. BASIS supports the firms through business development trainings and member services. The trainers in BASIS' business development programme have received training-for-trainers support from ITC, and ITC helped BASIS to improve its other member services. The evaluation follows a mixed method approach. The quantitative analysis is based on data collected in a baseline and endline survey, and existing data on ITC beneficiaries and BASIS members. In addition, it will conduct semi structured interviews with ITC and local experts to design the surveys, and to support causal inferences derived from the quantitative analysis.

The PRIME team sampled from all IT and ITES companies based in Dhaka from the BASIS member registry. BASIS member companies are the target group for NTF-III program support and over 90% of registered IT/ITES companies in Bangladesh are in Dhaka. The total population of BASIS members in Dhaka is 969, with 39 of these supported directly by the Netherlands Trust Fund (NTF-III) programme, the rest being supported indirectly through a diversity of BASIS services. The field work for data collection was conducted between 18 April 2016 to 12 May 2016 by trained enumerators of the survey company MITRA using the survey prepared by PRIME team.

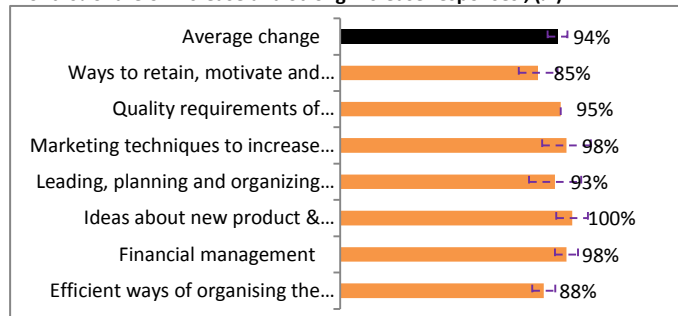
	Supported		Not supported			
	NTF-III		Applied to NTF-III but not accepted		Other firms	
<i>Business size</i>	<i>N</i>	<i>Median</i>	<i>N</i>	<i>Median</i>	<i>N</i>	<i>Median</i>
Sales, 1000 US dollars	23	216.3	32	157.3	232	95.0
Permanent employment	39	40	58	21	436	18
Temporary employment	39	3	58	0	436	0
<i>Exports</i>	<i>N</i>	<i>Mean</i>	<i>N</i>	<i>Mean</i>	<i>N</i>	<i>Mean</i>
Share of exports in sales %	38	62.7	43	32.3	405	19.6

Findings from the baseline

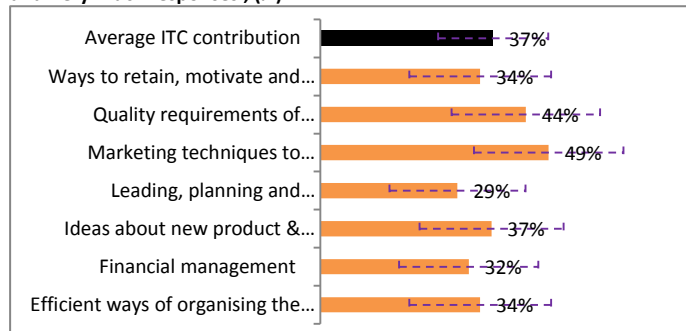
The baseline data gives insight in the specific characteristics of the supported firms when compared with the averages in the sector. Supported firms consists of the NTF-III firms and unsupported firms consists of two subsamples: one sample of firms which applied to NTF-III program but were not accepted, and another sample of firms which did not apply to the program. We find that the supported firms are relatively larger than average and have already a higher export profile, which is understandable, as this is one of the selection criteria for firms selected for NTF-III direct support.

With the baseline data it is not possible yet to derive strong inferences of effectiveness of the ITC or BASIS. However, we could already identify some short term effects of NTF-III program on the direct supported firms, by asking self-assessment questions about changes in knowledge.. The survey asks these questions separately for 8 areas.

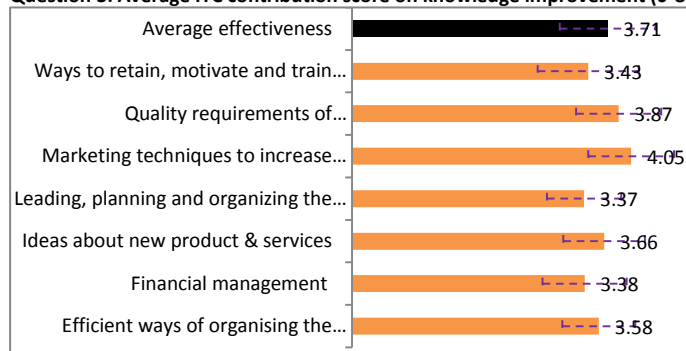
Question 2: How did your company's knowledge change over the past 12 months? Share of Increase and Strong Increase responses , (%)



Question 2: How did ITC influence the change in knowledge? Share of Much and Very Much responses , (%)



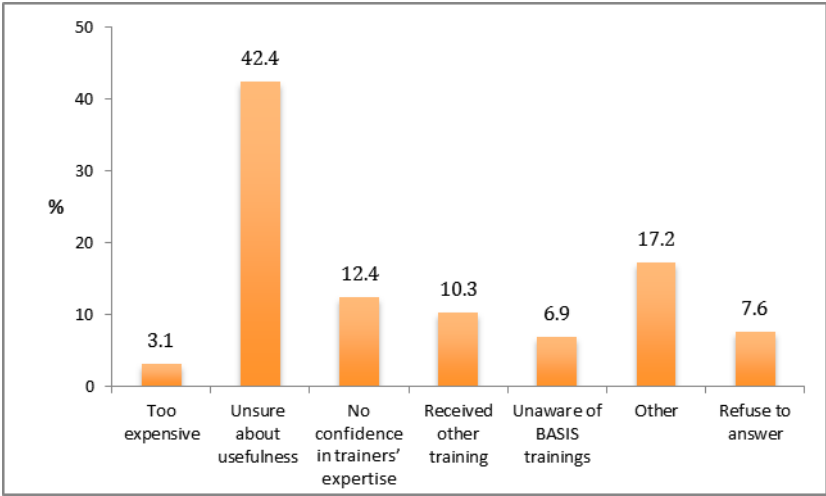
Question 3: Average ITC contribution score on knowledge improvement (0-8)



More than 80% of NTF-III program participants assess their knowledge as "Good" when they compare it with local competitors. 32% of firms assess their knowledge "Very Good". The share of firms that assessed their knowledge very good is highest in the area of quality requirements and lowest for ideas about new product and services. More than 90% of NTF-III program participants report that their knowledge improved over the past 12 months (Figure 2). 90% of ITC firms reported that ITC had influenced their knowledge positively from "A little" to "Very much" (Figure 3). 37% of firms stated that ITC influenced the change much or very much. ITC influence is highest (49%) on marketing techniques and quality requirements of international buyer (44%) and lowest (29%) on leading and planning the organization.

Combining the information from Question 1 and 2, we construct a short term contribution score, ranging from 0-8. A higher contribution score implies that ITC support has been more effective in improving the knowledge of the firm on corresponding area. The dashed lines depict the confidence interval of this average contribution score. We find that ITC has been most effective in improving in the improving the knowledge on marketing techniques. We note that there is no statistical difference in the contribution scores. This implies that short term ITC effect on knowledge improvement is not concentrated on certain areas.

We map the reasons of firms to use BASIS services and their evaluation of the quality of these. We make a distinction in the survey between the firms that make use of BASIS training and other services. About 72% of the interviewed firms have used either BASIS services or trainings and about 31% participated in both trainings and services, About 42% of firms have not participated in any BASIS trainings. Uncertainty about usefulness of BASIS training is the most important reason for not participating in BASIS trainings: About 42% of firms stated that they share not sure about the BASIS training for the firm.



We categorized BASIS trainings into four groups: technical training, project management training, export marketing plan training and executive level training. The most popular training is the Project Management training, which offers a PMP certificate, which is world-wide recognised, and a possibility of learning a variety of management skills in leading and managing projects with timing, budget and resource constraints.

	Awareness	Use	Use rate among aware firms	Satisfaction rate
Corporate tax exemption	74%	39%	52%	98%
IT catalogue	68%	34%	50%	97%
Discount	68%	33%	48%	99%
SoftExpo Fair				
Sector advocacy services	69%	32%	46%	97%
Import remittance	60%	26%	44%	99%
E commerce	61%	26%	43%	98%
Alliance Activity				
SCB EQR account service	52%	17%	33%	100%
BASIS/BRAC credit card	66%	22%	33%	96%
Virtual card for DBBL	61%	20%	32%	97%
Office space	68%	19%	28%	96%

The second most popular is technical trainings providing advice and skills in many different IT areas such as IOS Development, Java, software development, SQL, design, etc. The total number of firms in the sample that participate in trainings increased each year. About 60% of surveyed firms benefited from at least one of the other services offered by BASIS. Awareness and use of services is highest for corporate tax exemption and lowest SCB EQR account service, a facility that allows the customer to keep the received payments in both foreign and local currencies. For most services usage rate is mostly below 50%. 52% of firms use the tax exemption service of BASIS providing corporate tax exemption until June 2019 for BASIS members. The satisfaction rate equals to the share of firms which found the service is effective for the business. Satisfaction rate is high (above 95% satisfaction rate) for all services.

	Services that seem to facilitate exports
Technical Training	
Management Training	
Marketing Training	
Executive Training	
Financial Services (BRAC credit card, account service, virtual card)	
Promotion Services	
Networking Services (discount for events, commerce alliance)	
Tax Exemption	
Office Space	
Import Remittance	
<i>Note: Darker green indicates stronger correlation between corresponding service Share of exports in sales.</i>	

We also check whether there is an association between share of exports and BASIS training and services usage. We find that there is a positive and statistically significant relationship between using promotion services of BASIS and export performance. Share of exports are 7 percentage points higher share in the sales of businesses using BASIS promotion services than in the sales of business not using BASIS promotion services.

We find that supported and unsupported firms differ in terms business characteristics. This was expected because ITC selected those firms which had good potential to succeed in the program. To eliminate these differences that may bias our results, we are going to use matching and regression techniques to control for these differences in order verify the assumption that ITC contributes to export growth and improved business practices. The emerging findings are positive: NTF-III firms report that ITC influenced positively their knowledge in many areas, and, though uptake of BASIS service is moderate, the overall satisfaction rate from services is very high.



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